

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re application of:)	Attorney Docket No. 103
Burkhalter, Swinton B.)	
)	
Application No.:)	
09/775,336)	
)	
Filed:)	
February 1, 2001)	
)	
For:)	
INSURANCE SYSTEM AND)	
METHOD WITH)	
DISPROPORTIONAL)	
ALLOCATION)	
)	
Examiner:)	
Kalinowski, Alexander G.)	
)	
Art Unit:)	
3626)	
)	
Confirmation No.:)	
9210)	

REMARKS

Claims 1-16 are in the application. Claims 1 and 11 have been amended solely to add clarification.

Claims 1-16 are rejected under section 103 as being unpatentable over Sexton et al. Patent No. 5,752,236 (Sexton) in view of an article by Tirbutt entitled "Outlook Bright For Umbrellas" (Tirbutt). Applicants respectfully traverse the rejection.

Tirbutt

The article by Tirbutt appeared in England in 1999 and defines "umbrella insurance packages" then being offered as "plans that bundle a range of health and life insurance policies together and charge a single premium." The article goes on to explain that busy people save time by buying a bundled umbrella policy rather than shopping around for multiple policies from different companies and perhaps different agents. The article contends that the benefit of time

saving is even worth spending somewhat more in premium payments for an umbrella policy when compared to the multiple policy approach.

There is no disclosure, teaching or even suggestion in Tirbutt of taking the umbrella policy and dividing it in any way, and certainly not into at least two separate but related insurance policies and then disproportionately allocating expenses, benefits and obligations regarding the policies among policy owners. There is no disclosure, teaching or suggestion of reformulating the umbrella policy in any way. Furthermore, there is no disclosure, teaching or suggestion that an umbrella policy be combined with the invention disclosed in the Sexton reference.

Sexton

Turning now to the Sexton reference, it discloses the taking of a single life insurance product, dividing it into at least two separate but related policies and then disproportionately allocating expenses, benefits and obligations regarding those related policies. Graphically this process is shown in column 11 of Sexton, in Tables I and II. Table I shows "a typical life insurance contract" over ten years having an annual premium of \$10,000, a build-up of cash value to \$100,000 and a constant death benefit of \$500, 000. In Table II, the same "typical life insurance contract" is divided into two separate but related contracts and shown over the same ten year period. The premium paid by a first owner for the first contract is \$7,000 a year, the premium by a second owner for the second contract is \$3,000 a year, the cash value of the first contract builds to \$10,000, the cash of the second contract builds to \$90,000, and the death benefit of the first contract is a constant \$200,000 while the death benefit of the second contract is a constant \$300,000. Beginning at column 11, line 49, Sexton states, "As can be seen, the combined amounts of the first and second policy contracts in Table II equal the amounts of the single life insurance contract in Table I."

Sexton further teaches that the single life insurance contract being considered in Tables I and II may be chosen from a list of life insurance policies disclosed in column 10, lines 10-21. "These include traditional whole life policies, interest sensitive whole life policies, flexible premium whole life policies, universal life policies with level death benefit, universal life policies with increasing death benefit, flexible premium universal life policies, variable life policies with level death benefit, variable life policies with increasing death benefit, participating or non-participating whole life, level premium policies or graded premium policies, second to die policies of all types, first to die policies of all types, term policies of all types, and the like."

The Office Action on page 3, line 10 uses this paragraph in the Sexton reference to show that Sexton teaches "choosing or forming a second product." Applicants take issue with this conclusion because Sexton nowhere discloses, teaches or even suggests the use of a second product in the method disclosed and claimed in the Sexton reference. Throughout the Sexton reference the disclosure is about a single life insurance product which is divided into two or more related contracts.

Argument

For a rejection under 103 to be proper, the combined references, Sexton and Tirbutt, must teach the claimed invention when they are combined so that there is, in effect, an anticipation. The claim limitations are not met here. The limitations in claim 1 of "choosing or forming a long-term care product" in addition to choosing or forming a life insurance product is not disclosed by the references even if combined. Sexton teaches disproportionately allocating in relation to one life product not two products. Contrary to the Office Action statement, there is no second insurance product taught in Sexton nor is there any teaching concerning a non-life product in Sexton. Tirbutt merely teaches the existances of an umbrella policy. Claims 1 and 11 also include the limitations of forming at least two separate but related insurance policies from

both the life and the long-term care products and them disproportionately allocating expenses, benefits and obligations regarding the policies formed from the two products. Hence, even if combined, the methods claimed are not anticipated.

As a second and independent argument against the propriety of a 103 rejection based on Sexton and Tirbutt, there is a requirement that under section 103 the teachings of the references may be combined only when there is some suggestion or incentive in the references themselves to do so as explained by the Federal Circuit in *In re Oetiker*, 977 F.2d 1443, 1447 (Fed. Cir. 1992) and *ACS Hospital System Inc. v. Monte Fiore Hospital*, 732 F.2d 1572, 1577 (Fed. Cir. 1984). There is no objective teaching in either Sexton or Tirbutt that would lead someone of ordinary skill in the art to combine the relevant teachings of those references. Sexton in column 10, lines 10-21 does not teach anything beyond a single life product divided into two or more policies and certainly no method using both a life insurance product and a long-term care product. The only justification for combining Tirbutt with Sexton is an attempt to construct the claimed methods using applicants disclosure as a guide. This hindsight construction is improper.

A third independent argument concerning the non-obviousness of the current claimed invention is based on objective evidence. The situation here is unique in that two the inventors of the Sexton reference are the same two applicants of the current application. Because the Tirbutt article indicates that umbrella policies have existed for quite some time, it is contended that if the use of more than one policy to be allocated or the use of a non-life policy were obvious, the applicants here would have mentioned these in the Sexton reference itself as broadening examples and would have included claims to cover what they are covering in the subject application.

Furthermore, it is apparent that no one else conceived such an invention even after the Sexton reference became public knowledge in 1998. These latter arguments are analogous to arguments relating to "secondary considerations" because they provide objective evidence against a finding of obviousness.

The commercial advantages of the present invention are substantial. By forming two separate policies of two different types, life and long-term care, for example, on the same insured, allows two different owners to take tax or estate planning advantage of the resulting disproportionately allocated premiums, expenses and death benefits. For example, the two policies may be on a corporate executive and his corporation might be one of the owners. The corporation is allocated the higher expenses for long-term care because typically those can be deducted from corporate income taxes as a business expense. The corporate executive, on the other hand, may personally own and pay the premium for the life policy and this policy has a substantially lower than typical premium for life insurance because of the disproportionate allocation of expenses to the other policy owned by the corporation.

Conclusion

In view of the above arguments, the Examiner is respectfully requested to review and reconsider the rejection and pass the application to allowance.

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Respectfully submitted,


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